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SUBJECT: TAIWAN'S AIR CARRIERS BEGIN FLIGHTS OVER  
CHINA

Ref: A)TAIPEI 3292 B)TAIPEI 3661

1. Summary: On September 5, four Taiwan air carriers have started to fly through China's flight information region (FIR) to South Asia, the Middle East and Europe. The PRC granted overflight permission to the four carriers on September 2 less than one month after Taiwan Premier Frank Hsieh announced Taiwan would permit such flights. In a separate cross-Straits aviation development, Hong Kong Express Airways launched the first Hong Kong-Taichung charter service on September 3. End Summary.

#### PRC Approves Taiwan Overflight Requests

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2. On September 2, 2005, China's General Administration of Civil Aviation (CAAC) announced that four Taiwan airlines, CAL, EVA Airways, UNI Airways, and Mandarin Airlines, would be permitted to begin regular flights from Taiwan through China's flight information region (FIR) to international destinations. The move came less than one month after Taiwan's Premier Frank Hsieh announced on August 3 that Taiwan would allow such flights in order to save fuel. China authorized four Taiwan air carriers a total of 124 passenger and cargo flights per week through China's FIR to Europe, South Asia and the Middle East. They will benefit from an annual cost savings of up to NTD 400 million (about USD 12.5 million).

#### First Flights Take Off, Some Routes Denied

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3. CAL and EVA Airways became the first beneficiaries of new overflight authorization. On September 5, the first CAL cargo flight flew over Hong Kong, China, Burma, Bangladesh, Pakistan, Iran and Oman on its way to the United Arab Emirates; and the first CAL passenger flight passed over China on its way from Taipei to Hanoi, Vietnam. EVA Airways' first cargo flight through China's FIR flew from Delhi, India over Yunnan, Guangzhou, and Hong Kong to Taipei; and its first passenger flight flew from Taipei over Hong Kong and Guangzhou to Laos. CAL has scheduled 70 passenger and cargo flights per week through China's FIR, and EVA Airways has 40 flights per week planned. Both UNI Airways and Mandarin Airlines started flying over China's FIR on September 7. UNI Airways has scheduled eight flights per week from Kaohsiung through China's airspace to Hanoi; and Mandarin Airlines has scheduled six flights per week from Taipei to Rangoon, Burma. However, the PRC's CAAC rejected several routes requested by CAL and EVA Airways through northern China's FIR citing heavy air traffic in the region.

#### HK-Taichung Charter Flights Start by HKEA

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4. Hong Kong-based Hong Kong Express Airways Ltd. (HKEA), which just started operations on August 8, 2005, has become the first airline to offer Hong Kong-Taichung charter flight service. Taiwan approved HKEA to fly five round trips between Hong Kong and Taichung from September 3 through 7. The first flight left Hong Kong on September 3 carrying passengers that included HKEA executives and Hong Kong journalists. Round trip tickets cost NTD 4,000 plus an additional airport tax/fuel tax and insurance of NTD 1,700 (about USD 175 altogether). Taiwan's airlines have not yet expressed interest in offering similar charter services. Currently, Taichung's Chingchuankang airport offers service for Taiwan's domestic routes and various charter flights to Japan, Bali and Phuket. An expansion project is underway to improve the airport's facilities and make it more suitable for international flights.

